



PERCEPTIONS OF SOCIALLY RESPONSIBLE BUSINESSES: BENEFIT CORPORATIONS

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Introduction

A benefit corporation was created to allow for-profit corporate entity to overcome the gap of biased approach towards the benefit of shareholders. When filing a certification of incorporation that voluntarily meets higher standards of corporate purpose accountability, and transparency.

Benefit corporations:

1. have a corporate purpose to create a material positive impact on society and the environment.
2. are required to consider the impact of their decisions not only on shareholders but also on workers, community, and the environment.
3. are required to make available to the public an annual benefit report that assesses their overall performance against a third party standard.

Becoming a benefit corporation provides entrepreneurs an additional choice when determining which corporate entity is most suitable to achieve their objectives and provides existing corporations a mechanism to change their legal entity election.

In this exploratory research, we aim to investigate perceptions of the new election by consumers and entrepreneurs, and compare the differences in those perceptions.

“**Specific public benefit**” includes:

- (a) Providing low income or underserved individuals or communities with beneficial products or services;
- (b) promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business;
- (c) protecting the environment;
- (d) improving human health;
- (e) promoting the arts, sciences or advancement of knowledge;
- (f) increasing the flow of capital to other benefit corporations or similar entities whose purpose is to benefit society or the environment; and
- (g) conferring any other particular benefit on society or the environment.

ACCOUNTABILITY

In a traditional corporation shareholders judge the company's financial performance; with a benefit corporation shareholders judge performance based upon the corporation's benefit to society and the environment. Shareholders determine whether the corporation has made a material positive impact.

TRANSPARENCY

Transparency provisions require benefit corporations to publish annual benefit reports of their social and environmental performance using a comprehensive, credible, independent, and transparent third-party standard. Some states require the corporation to submit a report to the Secretary of State, although the Secretary of State has no governance over the report's content.

Methodology

We will survey perceptions of benefit corporations using two different populations:

1. **General consumers**
2. **Current entrepreneurs**

In the first stage of the research, we investigate perceptions of benefit corporations by general consumers, and we sampled the current University of Bridgeport students, at both graduate and undergraduate levels ($n = 126$). In the second stage of the research we will survey current entrepreneurs, and we will sample the members of the Entrepreneur Foundation and the CT Angel Guild.

Results

Findings from the general consumers (53% males and 47% females, age ranging from 19 to 35 years old)

Only 33% of the surveyed consumers knew what benefit corporations are.

Similarly, a mere 20% of the surveyed consumers knew what certified B corporations are.

Despite the low awareness of benefit corporations, 53% of the surveyed consumers stated that it is important to buy from socially responsible companies.

Discussion

Our findings indicate that despite the presence of positive perceptions of consumers towards socially responsible companies, general consumers are not cognizant of the existence of benefit corporations, much less the significance of benefit corporations. The same is true for certified B corporations. Thus, it is reasonable to infer that distinguishing a Benefit Corporation from a certified B corporation would be difficult for consumers. Both are sometimes called B Corps by mistake or as shorthand.

1. **Certified B Corporation:** Certified B is a certification conferred by the nonprofit B Lab. Certified B Corporations have been certified as having met a high standard of overall social and environmental performance, and as a result have access to a portfolio of services and support.
2. **Benefit Corporation:** Benefit Corporation is a legal entity structure election administered by the state.

In the next stages of our research, we plan to explore perceptions of entrepreneurs. Based on the comparison analysis, we plan to investigate the process underlying successful marketing of a benefit corporation.

Our findings will help the entrepreneur determine if the additional resources expended for the compliance of the benefit corporation will reap sufficient benefits to continue the commitment.

Background

In the United States, a benefit corporation is legislated in 28 states as of January 2015. Benefit Corporation differs from traditional corporations in purpose, accountability, and transparency, but not in taxation. CT law came into effect October 1, 2014.

PURPOSE

To legally to state a general public benefit which will have a material positive impact on society and the environment.

“**General public benefit**” means a material positive impact on society and the environment, taken as a whole, as assessed against a third-party standard, from the business and operations of a benefit corporation.